



STATEMENT OF

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**BEFORE
Committee on Government Reform**

**HEARING ON
Restructuring the General Services Administration's Operations
March 16, 2005**

Mr. Chairman, and members of the subcommittee, my name is Vic Avetissian of Northrop Grumman. I am here today on behalf of the Contract Services Association of America (CSA), where I serve as chair of the Association's Public Policy Council.

Now in its 40th year, CSA is the nation's oldest and largest association of service contractors representing over 200 companies that provide a wide array of services to Federal, state, and local governments. CSA members do over \$40 billion in Government contracts and employ nearly 500,000 workers, with nearly two-thirds of CSA companies using private sector union labor. CSA members represent the diversity of the Government services industry to include small businesses, 8(a)-certified companies, small disadvantaged businesses, women-owned, HubZone, Native American owned firms and global multi-billion dollar corporations. CSA promotes Excellence in Contracting by offering significant professional development opportunities for Government contractors and Government employees, including the only program manager certification program for service contractors.

Northrop Grumman is a global defense company headquartered in Los Angeles, California. Northrop Grumman provides a broad array of technologically advanced, innovative products, services and solutions in systems integration, defense electronics, information technology, advanced aircraft, shipbuilding, and space technology. The company has more than 125,000 employees, and operates in all 50 states and 25 countries, and serves U.S. and international military, Government and commercial customers.

I greatly appreciate the opportunity to testify on matters relating to the operations of the General Services Administration (GSA), and its schedules – a subject very important to our membership and, frankly, to all Government service contractors.

INTRODUCTION

Let me start by stressing that what we should be addressing here is what is good for America – and what is good for America is the opportunity to capitalize on the agility and innovation that the private sector offers to the Government. The private sector brings best value to the table, which in some cases may be more expensive initially but is always less costly in the long run because of the efficiencies and innovative tools being used to complete the mission. What we should focus on is allowing industry and Government to work as partners, bringing continued improvements to the procurement process to support our warfighters and benefit the U.S. taxpayers. A few missteps along the way should not cause us to dismantle the gains made through acquisition reform – in other words, we should not be throwing out the baby with the bathwater, so to speak!

Over the past decade, Federal spending has significantly increased from spending primarily on goods (hardware and weapons systems) to spending on services. This shift has been very noticeable in the use of GSA schedules, and other multiple award vehicles. Where indefinite delivery/indefinite quantity (ID/IQ) contracts once were reserved for spares and support to weapons in the inventory, these same mechanisms increasingly are the contract vehicles of choice, particularly for services. Indeed, a brand new GSA Schedule recently was created specifically for “facilities maintenance.” There also is a significant shift away from agency unique contract vehicles and agency unique requirements.

Recognizing the shifting demographics in agency budgets towards services, CSA established a Taskforce to review – with a clean slate approach – relevant statutes and regulations. Members of the Taskforce also included representatives of the Professional Services Council, the National Defense Industrial Association, the Information Technology Association of America and the Defense Acquisition University. Of the four working groups that were set up to tackle this project, one was focused specifically on contract vehicles – and specifically on the use of the Federal Services Schedules. While the Schedules working group’s final report is not yet ready for prime time, it will provide supplemental recommendations on the issues that we are raising with you today.

GSA OPERATIONS

Any review of GSA operations should not be about simply moving organizational boxes. I would suggest that GSA needs to consider the following steps:

- First, GSA should determine what the customer agencies need and the business model(s) that will be needed to support it. To achieve this, GSA should ask for, and rely upon input and insight from both their customers and private industry, which will be critical to GSA’s success. Such input must be done at the front end of the process, and throughout its evolution – and not done after all the decisions have been made and locked into place.
- Second, GSA should establish the business processes, business systems, policies, procedures, internal control and oversight that must be put in place to make the agreed upon business model(s) work
- Third, GSA needs to re-align/restructure itself to support those first two critical steps.

This is how private industry does it to successfully accomplish its missions. GSA should engage all three relevant parties (GSA, Government customers, and industry) in undertaking this process from the very outset; otherwise GSA, its Government customers and industry will become entangled in “getting it right” (at tremendous cost to the Government and the taxpayer) for a long time to come, with audits of audits as is the case now.

I believe it would be beneficial to the Government and the taxpayer if GSA considers its operations in this manner. It will allow the agency to more fully operate as a truly a commercial acquisition “business” than being just another typical governmental entity.

GSA SCHEDULES

To begin with, we need to ask what is GOOD about Schedule contracting? I believe we can break this down into the following three areas:

- Schedules are easy and simple to use, which provides small businesses with the opportunity to compete; and the Schedules allow agencies to focus on program requirements and implementation rather than a protracted procurement process. Any recommended changes should preserve these attributes.
- Agencies have the ability to build on Schedules and provide for more complex solutions through the use of “broad public announcements” (BPAs).
- eBuy provides for increased competition when using Schedule contracts.

But the Schedules have come under a lot of scrutiny lately, resulting in the Department of Defense and GSA “Get It Right” program. This means that we must also ask the counter question – what is WRONG with Schedule contracting? And do the problems outweigh the benefits? That is for the Committee to decide, in conjunction with GSA and the Federal agencies. To summarize some of the key problems:

- Inadequate competition in placing Schedule task orders, as documented in many reports by agency Inspector Generals and the Government Accountability Office.
- Improper use of Schedules (e.g., out-of-scope task order awards and modifications).
- Schedule “request for quotes” (RFQs) confined to one schedule, but requiring solutions only available under multiple “Request for Proposals” (RFPs).
- Treatment of “other direct costs” (ODCs) under schedule contracts is inconsistent throughout Government buying agencies.
- Government personnel possess the discretion to select the contract vehicle, and solicit competition; however contractors now are being taken to task for responding to what the Government asks for (i.e., out of scope contracts). Contractors perceive that they are being penalized for mistakes that may have been caused by ill-defined scopes of work, or the urgency of the requirement.

Perhaps we should ask one final question – what caused these problems?

- Current problems largely reflect lack of adequate training within the civilian Government buying community.
- There is a widespread lack of understanding within industry and Government on the scope of Schedule contracts in general, and individual schedules in particular.

- There is a lack of consistent treatment of ODCs between Schedule contracts, and GSA provides no meaningful guidance on this subject.
- There exists no rational method for a contractor to present concerns about out-of-scope contracting by the Government other than to decline the work.

AREAS TO CONSIDER FOR IMPROVING SCHEDULE USE

As we move forward, I would suggest that there are SEVERAL areas that we should look at and consider for improvements. These suggestions, which are not in any priority order, include:

- **TRAINING.** Improved training on proper use of Schedule contracts and obtaining competition in placing orders requires immediate attention. Such training initiatives should be done on a Government-wide basis, and conducted jointly between the GSA, the Government customers and private industry. Your Services Acquisition Reform Act (SARA), Mr. Chairman, gives civilian agencies the tools needed to improve training – so with that increased emphasis, this concern may soon be addressed.
 - One aspect of training can be viewed in relation to GSA's marketing program. The focus of GSA's "Marketing Program" resources and efforts with regard to GSA Schedules and GWACs should be directed fundamentally at training customer agencies on how to use the GSA Programs (FSS, FTS, and PBS) properly. Industry is willing and able to do the marketing of their Schedules/GWAC offerings. What is needed is a focus on training customer agencies (and industry partners) on how to properly use these vehicles. That training in and of itself will be the most elegant and persuasive form of marketing for GSA programs while at the same time solving much of the misuse issues.
- **TRANSPARENCY.** Improving transparency in placement of GSA task orders. Many of the current problems cited in Schedule contracting fall into one or two categories: poor or questionable decisions by ordering activities in selecting Schedule contract vehicles, and perceptions of less than adequate competition in placing Schedule orders.
- **BEST PRACTICES.** Establishing a "best practices clearinghouse" sponsored by Government and industry for dissemination of information regarding Schedule contracting, including the treatment of ODCs.
- **OMBUDSMEN.** Establishing "Schedule Ombudsmen" within buying agencies and GSA, and empower them to receive and correct complaints about out-of-scope contracting without attribution.
- **COMMERCIALITY.** Considering whether the services on the Schedule are truly commercial in nature. If they are not, should those services be the subject of separate contract vehicles (under the regular FAR contracting process) involving specific capability requirements and technical proposal requirements?
- **COST-BENEFIT ANALYSIS.** Planning individual agency acquisition strategies should involve conducting a cost-benefit analysis on whether Schedule use or the normal FAR contract process provides the most benefit to the agency's mission and the U.S. taxpayer.
- **INCENTIVE AWARDS.** Revamping GSA Policy on incentive awards should be considered. The incentives should be awarded based upon demonstrated ability to get the Government customer what they need at "fair and reasonable" prices, in a timely fashion, and consistent with the relevant rules, statutes and regulations. All four elements must be a part of the basis for Incentive awards – not just sales revenue.
- **RESTRUCTURING SCHEDULES.** Restructuring overall the Schedules program. Some of the concerns related to out-of-scope contracts lie in the manner in which GSA has

structured the Schedules program. Currently, GSA provides for discrete contract vehicles, which are segregated by the nature of the service or product. For example, in order to sell information technology products and services through the Schedules program, a vendor must obtain a Schedule 70 IT contract. If that vendor then wants to sell management or business consulting or program management services it must obtain a MOBIS contract, etc – resulting in a Schedule vendor acquiring many Schedules to encompass all of its product and service offerings. This focus on “stove pipes” also confounds the Government buyers.

- CONSOLIDATING INDIVIDUAL AGENCY SCHEDULES. Considering the feasibility of consolidating all individual agency Schedules under the jurisdiction of GSA. This would provide uniform internal control and oversight of Schedule use. For example, the Defense Department’s use of an Interior Department Schedule to acquire interrogators was not under the control of GSA – and the problems resulting from that Schedules contract may have been avoided if there had been more uniform management controls.
- REFORMING CONTROL STRUCTURES. The command and control structure (i.e., the FSS/FTS/PBS offices within the Washington headquarters, and the 11 Regional offices, which are each headed up by a political appointee) is currently broken and contributes to numerous problems with GSA’s ability to properly function; improved consistency of management operations within all GSA operations is needed.
 - ü Eliminating some of the Regional Offices and the political appointees who run them is neither necessary nor, from a “good Government” perspective the right thing to do. These regions are truly the face of the Federal government in the regions of the country, and as such provide needed access to it for those “outside of the beltway.”
 - ü What does need to change with respect to the 11 GSA Regions is the command/control and reporting relationships between the Washington headquarters office for the GSA business entities (FSS, FTS, PBS) and the elements of the FSS, FTS, and the PBS that operate in the Regions. Under the current command and control structure Regional elements of FSS, FTS and PBS, look up vertically to the leadership within their Region, they do not look to the Washington headquarters components of the FSS/FTS/PBS for process, procedure, policy and implementing guidance, etc. As a result, there is little consistency in how the various services (FSS/FTS/PBS) operate. Customers and Industry, therefore, are frequently confused about what is being done or how things are done, how they are priced, and what they are paying for. These inconsistencies have been a major source of problems identified by GSA initiated audits of the various Regional CSCs and they often breed “answer shopping” across Regions until one finds an answer they like.
 - ü This single area is the most immediate and serious problem facing GSA today, and it will have the single most important impact on the final success of the GSA in its reorganized state, regardless of how well the rest of the GSA reorganization elements are accomplished.

CONCLUSION

While all acknowledge that timeliness in getting this GSA reorganization accomplished is very important, GSA must be given the time to do it – to ensure that the best interests of the Government, the U.S. taxpayer and the warfighter are met. I have outlined some areas that need

to be improved – and others may have additional suggestions. Constantly revisiting the progress with more audits that find what we already have determined needs to be fixed will not help, but rather it will hinder the transformation being attempted. We cannot continue pulling this plant up by the roots to see if it is growing, without destroying it and/or making matters worse.

One final point must be made. GSA should consider cultural diversity amongst its various offices and the customer community when reviewing its approach to consolidating or merging Schedules. For private industry when undergoing a merger or acquisition, this often has been the most difficult and time-consuming aspect of the process. In addition, by considering the “best practices” from a multiple of offices and locations when it adopts an overall GSA standard will provide “buy-in” by the various offices. This also has proven to be helpful for private industry.

In closing, let me commend you, Members of the Committee, and the staff for your commitment to improving service contracting for the Federal government. As chair of the CSA Public Policy Council, and on behalf of all members of CSA, I stand ready to assist the Committee in its endeavor.

I will be happy to answer any questions.